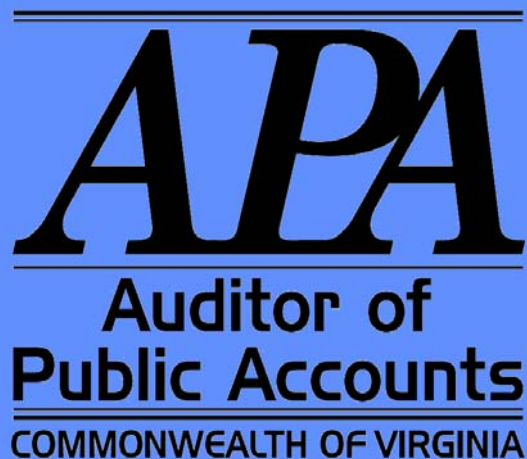


**STATE LOTTERY DEPARTMENT
MEGA MILLIONS**

**REPORT ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
APRIL 1, 2011 THROUGH MARCH 31, 2012**





Commonwealth of Virginia

Auditor of Public Accounts

Walter J. Kucharski
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

June 22, 2012

Members of the Virginia State Lottery Board
900 East Main Street
Richmond, Virginia

Independent Auditor's Report on Applying Agreed-Upon Procedures

We have performed the procedures enumerated below, which were agreed to by the Virginia Lottery Department and the other member lotteries in the states of California, Georgia, Illinois, Maryland, Massachusetts, Michigan, New Jersey, New York, Ohio, Texas, and Washington (referred to as the "Member Lotteries"), which operate Mega Millions, solely to assist the Virginia Lottery and Member Lotteries with respect to the evaluation of the following financial information associated with Mega Millions: Virginia Lottery's sales and prize expense for the period April 1, 2011 through March 31, 2012, and the Virginia Lottery's receivable or payable as of March 31, 2012. Virginia Lottery is responsible for its records of the financial information associated with Mega Millions. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Virginia Lottery and Member Lotteries. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures that we performed and our findings are as follows:

- A. We obtained from the Virginia Lottery the "Draw Activity" and the "Fixed Prize Analysis" reports for the period April 1, 2011 through March 31, 2012, and attached those as Exhibit I and II, respectively. We verified the mathematical accuracy of the schedules.
- B. We randomly selected five Mega Millions drawings from the period April 1, 2011 through March 31, 2012, for testing as indicated in "C", "D", and "E" below.

April 29, 2011
June 7, 2011
August 5, 2011

September 6, 2011
February 14, 2012

- C. For each drawing selected in step "B" above, we compared the total amount of sales as shown on the daily sales report produced by the Virginia Lottery's gaming system and the total amount of sales shown on the related daily sales report produced by the Internal Control System (ICS) with the balance listed in the "Sales" column for the respective week on the "Draw Activity" report attached as Exhibit I and found them to be in agreement.

- D. We calculated the total dollar amount of the fixed prizes for the drawings selected in step “B” above, based on the total number of winners from the Virginia Lottery’s gaming system for each prize level and the prize structure of Mega Millions’ fixed prizes (as defined in the official game rules). We compared the calculated expense with the amount listed in the “Actual Fixed Prizes” column for the respective drawing on the attached “Draw Activity” report and found them to be in agreement.
- E. For each drawing selected in step “B” above, we compared the amount of sales, actual fixed prizes, and share of fixed prizes shown on the “Draw Activity” report attached as Exhibit I to the amounts shown on the applicable Mega Millions Prize Settlement Reports and found them to be in agreement.
- F. For the period identified in step “B” above, we randomly selected two months and obtained the “Expired Prize Settlement Report” distributed by the Virginia Lottery. For the two months selected, we obtained from the Virginia Lottery ICS the actual fixed prizes awarded and the prizes unclaimed. We compared the ICS data back to the data reported from the Virginia Lottery for each draw of the subject months and found them to be in agreement.
- G. We compared the amount shown as the total of the actual fixed prizes and the total of the share of fixed prizes on the “Draw Activity” report attached as Exhibit I to the applicable amounts shown on the “Fixed Prize Analysis” report attached as Exhibit II and found them to be in agreement.
- H. For each purchase (if any) of investments associated with jackpot prizes, we obtained:
 - 1) broker confirmations and noted that the investments were properly funded solely through the purchase of 100 percent United States Government STRIP Bonds;
 - 2) the bid sheets and supporting documentation and noted that the investments were purchased properly through a competitive bidding process involving a minimum of three primary brokerage firms; and
 - 3) the Security Purchase report, which lists the results of the security purchase and verified that the information reported to the group, is accurate, including the annuity factor for the non-winning bidders.
- I. We compared the total of the quarterly transfers from the Virginia Lottery for settlement of the fixed prize liability as shown in the Virginia Lottery’s cash disbursement subsidiary records to the amount listed in the “Qtrly/Yrly Settlements Transfers In/(Out)” column on the “Fixed Prize Analysis” report attached as Exhibit II and found them to be in agreement.
- J. We compared the balance listed as the Virginia Lottery’s receivable or payable as of March 31, 2012, for the fixed prizes as shown on the “Fixed Prize Analysis” report attached as Exhibit II to the Virginia Lottery’s financial accounting records and to the Mega Millions Prize Settlement Report as of March 30, 2012, and found them to be in agreement.

Members of the Virginia State Lottery Board
June 22, 2012

We were not engaged to, and did not perform an audit or an examination, the objective of which would be the expression of an opinion on the specified financial information associated with Mega Millions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Virginia Lottery and Member Lotteries specified above and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

AUDITOR OF PUBLIC ACCOUNTS

AVG/clj

MEGA MILLIONS
VIRGINIA LOTTERY DEPARTMENT
VIRGINIA DRAW ACTIVITY
From April 1, 2011 through March 31, 2012

Exhibit I

<u>State</u>	<u>Draw Date</u>	<u>Sales</u>	<u>Actual Fixed Prizes</u>	<u>Share of Fixed Prizes</u>
NY	4/1/2011	\$1,003,665	\$111,202	\$167,402
	4/5/2011	936,865	375,573	166,746
	4/8/2011	1,085,255	104,744	191,359
	4/12/2011	1,017,779	99,326	189,184
	4/15/2011	1,182,199	115,091	179,468
	4/19/2011	826,764	84,085	119,900
	4/22/2011	916,387	93,698	174,249
	4/26/2011	852,392	78,850	144,915
CA	4/29/2011	994,933	121,541	162,805
	5/3/2011	965,496	101,456	160,607
	5/6/2011	856,960	107,317	173,816
MI	5/10/2011	790,915	78,257	81,047
	5/13/2011	933,032	113,799	196,110
	5/17/2011	756,301	103,539	110,602
TX	5/20/2011	841,654	359,526	117,249
	5/24/2011	768,867	81,819	106,717
	5/27/2011	882,682	144,272	179,401
	5/31/2011	675,844	66,526	74,874
	6/3/2011	817,128	86,340	123,558
	6/7/2011	776,405	76,848	129,209
	6/10/2011	879,507	373,491	187,767
	6/14/2011	855,654	111,985	187,224
VA	6/17/2011	980,710	103,982	132,429
	6/21/2011	931,940	108,944	187,409
	6/24/2011	1,038,337	111,638	150,351
	6/28/2011	994,101	102,351	151,687
	7/1/2011	1,305,776	183,004	251,040
	7/5/2011	682,820	125,763	111,805
	7/8/2011	817,949	89,180	142,696
	7/12/2011	780,155	93,538	139,732
	7/15/2011	890,928	97,752	99,097
	7/19/2011	844,952	128,250	172,305
	7/22/2011	945,140	79,496	94,174
	7/26/2011	908,499	90,535	172,594
	7/29/2011	1,038,661	110,927	172,670
	8/2/2011	1,029,322	112,310	195,086

MEGA MILLIONS
VIRGINIA LOTTERY DEPARTMENT
VIRGINIA DRAW ACTIVITY
From April 1, 2011 through March 31, 2012

Exhibit I

<u>State</u>	<u>Draw Date</u>	<u>Sales</u>	<u>Actual Fixed Prizes</u>	<u>Share of Fixed Prizes</u>
OH	8/5/2011	1,221,529	161,913	200,494
	8/9/2011	770,472	114,374	85,949
	8/12/2011	833,986	78,732	146,352
	8/16/2011	790,240	82,005	142,843
MA	8/19/2011	894,476	339,130	155,651
	8/23/2011	717,431	74,157	115,788
	8/26/2011	812,296	83,232	131,355
	8/30/2011	693,551	69,553	83,807
	9/2/2011	873,084	78,396	111,184
	9/6/2011	745,945	82,036	140,326
	9/9/2011	909,790	132,003	197,281
	9/13/2011	879,214	76,635	109,146
	9/16/2011	1,011,787	379,411	199,256
	9/20/2011	971,417	96,224	150,498
	9/23/2011	1,115,069	384,927	172,527
	9/27/2011	1,111,297	113,752	225,300
	9/30/2011	1,413,371	396,723	282,343
	10/4/2011	753,299	77,785	122,272
	10/7/2011	821,415	343,001	168,917
CA/PB	10/11/2011	758,243	73,595	103,015
	10/14/2011	871,711	105,294	153,642
	10/18/2011	816,657	325,718	117,310
	10/21/2011	926,273	95,507	161,782
	10/25/2011	879,681	108,312	138,891
	10/28/2011	1,026,103	111,148	211,240
	11/1/2011	1,032,383	114,815	190,218
	11/4/2011	846,159	130,255	150,352
	11/8/2011	730,720	72,108	137,588
	11/11/2011	895,210	103,444	181,267
CA	11/15/2011	779,060	100,437	117,829
	11/18/2011	863,487	108,564	119,936
	11/22/2011	834,921	81,197	132,221
	11/25/2011	819,498	81,747	121,141
	11/29/2011	891,707	93,641	155,421
	12/2/2011	1,052,397	105,349	205,762
	12/6/2011	1,024,330	125,335	193,495

MEGA MILLIONS
VIRGINIA LOTTERY DEPARTMENT
VIRGINIA DRAW ACTIVITY
From April 1, 2011 through March 31, 2012

Exhibit I

<u>State</u>	<u>Draw Date</u>	<u>Sales</u>	<u>Actual Fixed Prizes</u>	<u>Share of Fixed Prizes</u>
NY	12/9/2011	1,306,964	397,255	242,271
	12/13/2011	1,292,967	393,545	227,092
	12/16/2011	1,480,204	422,436	271,819
	12/20/2011	1,542,039	191,101	265,123
	12/23/2011	1,856,818	534,170	573,184
	12/27/2011	1,986,763	295,918	342,832
	12/30/2011	912,477	91,039	98,898
	1/3/2012	741,430	96,649	133,339
	1/6/2012	850,811	82,895	173,125
	1/10/2012	804,595	80,235	85,082
	1/13/2012	924,860	94,536	106,790
	1/17/2012	838,530	86,894	94,318
	1/20/2012	960,743	147,382	189,119
	1/24/2012	903,155	88,377	184,963
GA	1/27/2012	779,545	91,228	126,176
	1/31/2012	726,358	89,325	130,439
	2/3/2012	851,614	340,571	114,738
	2/7/2012	809,436	350,650	166,395
	2/10/2012	985,521	362,821	228,748
	2/14/2012	877,187	158,360	255,615
	2/17/2012	966,354	361,940	151,788
	2/21/2012	898,292	80,760	110,967
	2/24/2012	1,042,985	385,392	257,298
	2/28/2012	1,035,594	111,638	114,031
	3/2/2012	1,278,830	149,706	240,028
	3/6/2012	1,279,071	151,683	218,255
	3/9/2012	1,448,860	479,317	290,255
	3/13/2012	1,506,712	653,772	260,520
IL/MD/PB	3/16/2012	1,974,850	245,371	291,574
	3/20/2012	2,260,457	375,979	832,677
	3/23/2012	3,199,371	405,552	699,274
	3/27/2012	5,798,029	924,513	1,064,454
	3/30/2012	<u>20,711,762</u>	<u>3,775,334</u>	<u>3,796,553</u>
	Totals	<u>\$130,027,367</u>	<u>\$22,123,754</u>	<u>\$23,367,423</u>

Members of the Virginia State Lottery Board
June 22, 2012

MEGA MILLIONS
VIRGINIA LOTTERY DEPARTMENT
FIXED PRIZE ANALYSIS
From April 1, 2011 through March 31, 2012

Exhibit II

State	Receivable (Payable)	Actual Fixed Prizes	Share of Fixed Prizes	Qtrly/Yrly Settlements Transfers In(Out)	Receivable (Payable)
California	\$ -	\$ -	\$ -	\$ -	\$ -
Georgia	297,849	24,828,326	27,471,131	(575,453)	(1,769,503)
Illinois	(642,417)	33,081,185	31,500,511	(569,409)	1,507,666
Massachusetts	(442,122)	18,992,548	17,458,083	6,551	1,085,792
Maryland	(106,319)	18,124,803	19,006,802	(181,901)	(806,417)
Michigan	(84,964)	30,336,912	30,136,500	156,697	(41,249)
New Jersey	559,600	40,890,668	41,769,925	1,136,735	(1,456,392)
New York	431,705	83,111,931	83,210,405	191,152	142,079
Ohio	90,457	29,801,040	29,135,517	576,418	179,562
POWER BALL					
Texas	630,218	38,570,202	38,520,343	253,059	427,018
Virginia	(997,905)	22,123,754	23,367,423	(2,245,194)	3,620
Washington State	263,898	12,319,107	10,603,836	1,251,345	727,824
Totals		<u>\$352,180,476</u>	<u>\$352,180,476</u>		